5. IMPLEMENTATION OF THE ACCIDENT INSURANCE (TRANSITIONAL PROVISIONS) ACT

Officer responsible Director of Finance	**Author** John Mackey
Corporate Plan Output:	

The purpose of this report is to:

(a) inform the Council of the changes required by the Accident Insurance (Transitional Provisions) Act 2000
(b) seek the Council's approval for the proposed strategy for obtaining the best insurance cover for the Council
(c) apprise the Council of the budgetary impacts of the new regime.

BACKGROUND

- Under the Accident Insurance (Transitional Provisions) Act 2000, all employers are now required to enter into and maintain in force a single accident insurance contract with the Accident Insurance Corporation (ACC). The cover under this contract must, as a minimum, provide employees with the benefits they enjoy under the previous ACC regime.

- The new regime provides three options:

  Standard cover similar to that provided by the ACC prior to the enactment of the Accident Insurance Act 1998

  The Partnership Discount Plan

  The Full Cover Plan.

- The eligibility for either of the latter two options is conditional upon the applicant employer meeting specified statutory requirements covering best practice, health and safety management. Compliance has to be confirmed through an initial audit and subsequent annual audits performed by an ACC certified health and safety auditor. The accredited employer is required to meet the costs of these audits.

- Both of the latter two options above provide for discounts off the standard premiums on the condition the accredited employer is required to meet some or all of the statutory entitlements of its employees injured in work related accidents for agreed periods of time that each have a statutory cap.

- Continued membership of each discount plan is dependent on the accredited employer meeting tight requirements for reporting to and meeting with the ACC.

- Best practice health and safety management, as set out in the Act, requires the accredited employer to inform, consult with and involve employees and their representatives in the design and implementation of the health and safety policies and practices.

- Both options for the employer accepting a level of self-cover are similar in principle to the self insurance option that the Council adopted for the 1999/2000 year.
- There is a very tight timeframe to have the application processed by the ACC, the audit performed, consultation undertaken with staff and their representatives, and the necessary policies and procedures designed and implemented. Therefore, the decision was made to make an *initial* application to join the Partnership Discount Plan. This does not bind the Council to join this scheme but it does make it possible for the Council to be a member of either of the discount plans from the expiry of the Council's existing insurance cover.
- The Act prevents the Council from entering into any insurance contract with any insurer to reduce its exposure under the provisions of the Act. That is, reinsurance is prohibited.
- Council management has recognised the need to protect its existing rights to the extent that the Act allows and the need to ensure that it takes full advantage of the opportunities afforded by the new legislation. An ACC Review Team was established to identify and recommend the best course of action for the Council.

ACTIONS TAKEN TO DATE BY THE ACC REVIEW TEAM

The team members have reviewed the requirements of the new Act and have discussed the options with Willis, the Council's accident insurance broker, and Injury Management NZ, its claims and injury management organisation. They have also attended training seminars on the new regime and reviewed material that describes the requirements and opportunities provided by the new regime to try to identify the opportunities that should be pursued by the Council.

The team has analysed the Council's leviable earnings for the year ended 31 March 2000 and identified those earnings that relate to employees who left or transferred as a result of the Works Operations restructuring. This has enabled the team to estimate the leviable earnings for the year ended 31 March 2001 and thereby provide the opportunity to obtain a lower premium.

Both the Team and Willis, have calculated the premiums that will apply under each of the options available. This information was then used to assess the likely, worst case and best case cost scenarios for each option.

The information above was then used to compare the likely cost under each option to identify whether additional budget provision was needed for the 2000/01 year.

This analysis shows that the cheapest option, and the one that provides the greatest incentive to prevent workplace injuries and work to full rehabilitation of those who are injured, is the full-self cover option.

This option carries a greater risk to the Council, as the Council is liable, on a fully funded basis, to meet the costs of claims in any year up to a maximum of $1,442,000. However, the potential ACC savings against budget from selecting this option are large enough to create a special fund that should be more than sufficient to cover any ‘catastrophe’ claims, should they arise.

RECOMMENDED STRATEGY

The Council elect to join the Full Self Cover programme.

The projected savings against budget of $400,000 be transferred annually to a Special Fund, to finance any catastrophe claims that could occur, until the fund balance reaches the Council’s liability limit under the programme.

Recommendation:

1. That the information be received.

2. That the Director of Finance and Director of Human Resources be delegated authority to undertake the steps necessary to implement the accident insurance cover in conformance with the Act and in line with the strategy recommended by the ACC Review Team.